

AMES COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2008

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Ames Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2007 Election)		
Ronald Werner-Wilson	President (Resigned)	2008
Gail Johnston	Vice President	2009
Brian Dieter	Board Member (Appointed)	2007
Pat Brown	Board Member	2007
Francis Todey	Board Member	2007
Mike Murray	Board Member	2008
Roy Cakerice	Board Member	2009
Anita Rollins	Board Member	2009
Board of Education (After September 2007 Election)		
Gail Johnston	President	2009
Anita Rollins	Vice President	2009
Mary Jurenka	Board Member	2008
Mike Murray	Board Member	2008
Roy Cakerice	Board Member	2009
Paul Soddors	Board Member	2011
Francis Todey	Board Member	2011
School Officials		
Dr. Linda Beyea	Superintendent	2008
Karen Shimp	District Secretary/Treasurer and Chief Financial Officer	2008
Ahlers & Cooney, P.C.	Attorney	2008

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(a professional corporation)
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Ames Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Ames Community School District, Ames, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Ames Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

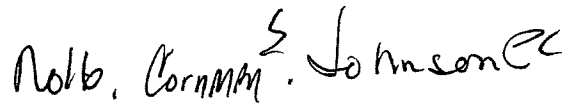
In accordance with Government Auditing Standards, we have also issued our report dated February 11, 2009 on our consideration of Ames Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 38 through 39 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Ames Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for seven years ended June 30, 2008 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2000 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

February 11, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Ames Community School District provides the Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- Fiscal 2008 General Fund expenses exceeded revenues by \$2.8 million. The deficiency of revenues under expenses resulted in a decrease in the fund balance from \$7.9 million to \$5.1 million. Revenues were \$41.1 million vs. \$39.8 million in fiscal 2007, and expenditures were \$43.9 million vs. \$40.4 million in fiscal 2007. Increased costs related to the increase in negotiated salaries and benefits, busing and utility expenses were the primary reason for the expenses exceeding the revenues.
- Revenues continued to benefit from the general cash reserve levy, at nearly \$1.5 million for fiscal year 2008.
- The District's October 2007 enrollment increased for the first time in ten years. The certified enrollment was 4,351, a net decrease of 621 over the past ten years.
- The state granted 4% "allowable growth" in 2006, 2007 and 2008, which was the increase in per pupil spending. This follows years of 2% allowable growth in fiscal years 2004 and 2005, respectively. Over the past five years Iowa school districts have received the least allowable growth in the nearly 36-year history of the school foundation aid formula.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Ames Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Ames Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Ames Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Ames Community School District Annual Financial Report

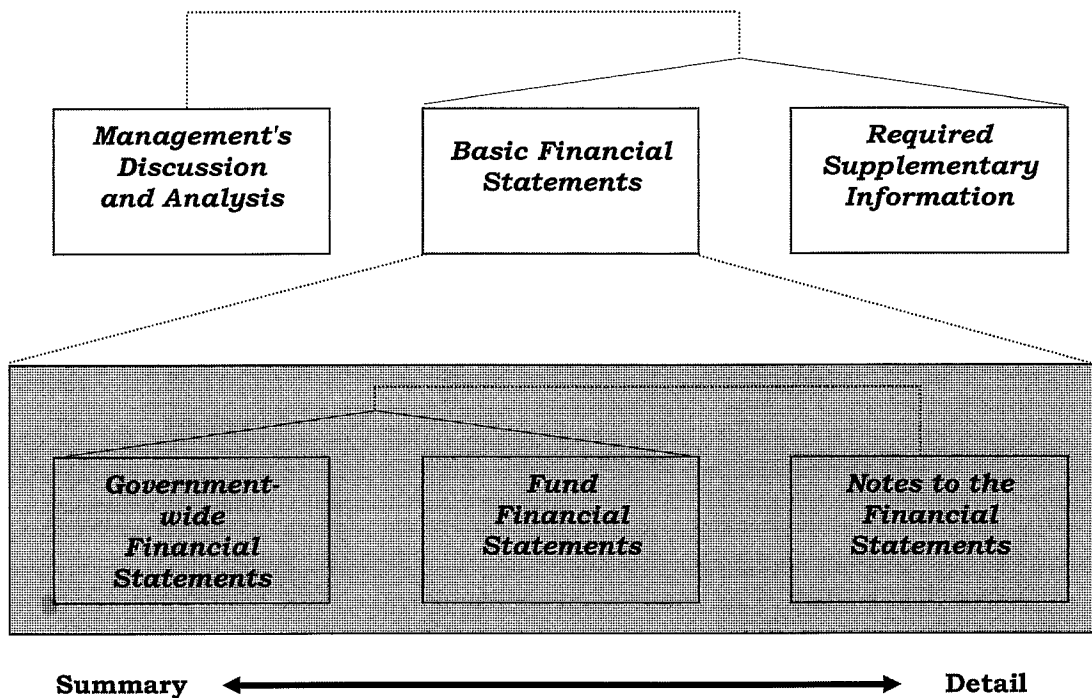


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The District's internal service funds, one type of proprietary fund, are the same as the governmental activities, but provide more detail and additional information, such as cash flows. The District currently has two internal service funds, the Health Insurance Fund and the Print Shop Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Agency funds.

- Agency Fund – These are funds through which the District administers and accounts for certain outside groups.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 49,222,715	49,589,996	(839,134)	35,885	48,383,581	49,625,881	-2.50%
Capital assets	54,597,443	54,617,492	676,144	762,214	55,273,587	55,379,706	-0.19%
Total assets	103,820,158	104,207,488	(162,990)	798,099	103,657,168	105,005,587	-1.28%
Long-term obligations	20,700,993	28,180,118	0	0	20,700,993	28,180,118	-26.54%
Other liabilities	32,152,490	28,781,685	18,543	884,133	32,171,033	29,665,818	8.44%
Total liabilities	52,853,483	56,961,803	18,543	884,133	52,872,026	57,845,936	-8.60%
Net assets:							
Invested in capital assets, net of related debt	35,430,021	29,991,042	676,144	762,214	36,106,165	30,753,256	17.41%
Restricted	5,090,028	3,526,057	0	0	5,090,028	3,526,057	44.35%
Unrestricted	10,446,626	13,728,586	(857,677)	(848,248)	9,588,949	12,880,338	-25.55%
Total net assets	\$ 50,966,675	47,245,685	(181,533)	(86,034)	50,785,142	47,159,651	7.69%

The District's combined net assets increased by 7.69%, or \$3,625,491, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$1,563,971, or 44.35% over the prior year. The increase

was primarily a result the increase in the Management Levy Fund balance and Debt Service Fund balance.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$3,291,389, or 25.55%. This decrease is due to the decrease in fund balance in the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Revenues:							
Program revenues:							
Charges for services	\$ 4,590,391	4,710,044	878,975	967,254	5,469,366	5,677,298	-3.66%
Operating grants and contributions and restricted interest	5,286,465	4,141,558	559,286	517,792	5,845,751	4,659,350	25.46%
General revenues:							
Property tax	24,564,148	24,996,958	0	0	24,564,148	24,996,958	-1.73%
Income surtax	2,092,101	1,863,129	0	0	2,092,101	1,863,129	12.29%
Local option sales and services tax	4,170,477	4,338,047	0	0	4,170,477	4,338,047	-3.86%
Unrestricted state grants	12,480,423	11,733,867	0	0	12,480,423	11,733,867	6.36%
Other	1,140,208	1,438,880	3,869	4,227	1,144,077	1,443,107	-20.72%
Transfers	0	0	0	3,070	0	3,070	-100.00%
Total revenues and transfers	54,324,213	53,222,483	1,442,130	1,492,343	55,766,343	54,714,826	1.92%
Program expenses:							
Governmental activities:							
Instructional	32,315,790	29,569,502	0	0	32,315,790	29,569,502	9.29%
Support services	14,203,878	13,678,425	20,594	17,081	14,224,472	13,695,506	3.86%
Non-instructional programs	0	0	1,517,035	1,462,312	1,517,035	1,462,312	3.74%
Other expenses	3,982,912	4,011,125	0	0	3,982,912	4,011,125	-0.70%
Total expenses	50,502,580	47,259,052	1,537,629	1,479,393	52,040,209	48,738,445	6.77%
Changes in net assets	3,821,633	5,963,431	(95,499)	12,950	3,726,134	5,976,381	-37.65%
Subsequent event(Note 16)	(100,643)	0	0	0	(100,643)	0	100.00%
Changes in net assets	3,720,990	5,963,431	(95,499)	12,950	3,625,491	5,976,381	-39.34%
Beginning Net Assets	47,245,685	41,282,254	(86,034)	(98,984)	47,159,651	41,183,270	14.51%
Ending Net Assets	\$ 50,966,675	47,245,685	(181,533)	(86,034)	50,785,142	47,159,651	7.69%

In fiscal 2008, property tax, income surtax, local option sales and services tax and unrestricted state grants account for 79.72% of the revenue from governmental activities while charges for service and seals and operating grants and contributions account for 99.73% of the revenue from business-type activities.

The District's total revenues were \$55,766,343 of which \$54,324,213 was for governmental activities and \$1,442,130 was for business-type activities.

As shown in Figure A-4, the District as a whole experienced a 1.92% increase in revenues and a 6.77% increase in expenses. Unrestricted state grants increased by \$746,556 to fund increases in expenditures. The increases in expenses related to increases in negotiated salary and benefits as well as increases in expenses in busing and utility costs.

Governmental Activities

Revenues for governmental activities were \$54,324,213 and expenses were \$50,502,580.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Service		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 32,315,790	29,569,502	9.29%	24,031,869	22,226,912	8.12%
Support services	14,203,878	13,678,425	3.84%	13,993,246	13,465,824	3.92%
Other expenses	3,982,912	4,011,125	-0.70%	2,600,609	2,714,714	-4.20%
Totals	\$ 50,502,580	47,259,052	6.86%	40,625,724	38,407,450	5.78%

- The cost financed by users of the District's programs was \$4,590,391.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$5,286,465.
- The net cost of governmental activities was financed with \$30,826,726 in local tax, \$12,480,423 in unrestricted state grants, \$654,869 in unrestricted investment earnings and \$485,339 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activity were \$1,442,130 and expenses were \$1,537,629. The District's business-type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for service, interest income and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Ames Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$11,006,439, below last year's ending fund balances of \$12,584,448. However, the primary reason for the increase in the combined fund balances is the increase in the Management Levy Fund balance and Debt Service Fund balance.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Growth during the year in state sources resulted in an increase in revenues. The increase in revenues was offset by the District's increase in General Fund expenditures, resulting in a decrease in fund balance from \$7,864,040 to \$5,082,409.
- The Management Levy Fund balance increased from \$2,405,545 to \$3,381,377, due to the reduction in early retirement payouts and the District's increase in tax levy to fund future property insurance costs and early retirement incentives payments.
- The Capital Projects Fund balance decreased from \$654,283 to \$344,300, due to the decrease in local option sales and services tax.
- The Debt Service Fund balance increased from \$645,294 to \$1,691,252, due to the increase in property tax received to be used for bond repayments. The District is required to place all local option sales and services tax into the debt service to finance the outstanding revenue bonds.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from a deficit \$86,034 at June 30, 2007 to a deficit \$181,533 at June 30, 2008, representing a 111.00% decrease.

BUDGETARY HIGHLIGHTS

The District's revenues were \$1,400,834 less than budgeted revenues, a variance of 2.46%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget exceeded in the instruction functions due to the timing of expenditures paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$55.3 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net decrease of 0.19% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$1,762,619.

The original cost of the District's capital assets was \$77,424,148. Governmental funds account for \$76,284,789 with the remainder of \$1,139,359 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$41,469,997 at June 30, 2008, compared to \$41,890,031 reported

at June 30, 2007. This decrease resulted from the current year depreciation exceeding this years capitalized building improvements.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 4,981,652	4,981,652	0	0	4,981,652	4,981,652	0.00%
Construction in progress	713,830	756,286	0	0	713,830	756,286	-5.61%
Buildings	41,469,997	41,890,031	0	0	41,469,997	41,890,031	-1.00%
Land improvements	5,556,137	5,514,275	0	0	5,556,137	5,514,275	0.76%
Machinery and equipment	1,875,827	1,475,248	676,144	762,214	2,551,971	2,237,462	14.06%
Total	\$ 54,597,443	54,617,492	676,144	762,214	55,273,587	55,379,706	-0.19%

Long-Term Debt

At June 30, 2008, the District had \$20,700,993 in general obligation and other long-term debt outstanding. This represents a decrease of 20.93% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding General Obligation Bonds payable of \$3,860,000 at June 30, 2008.

The District also had outstanding Revenue Bonds payable from the Capital Projects Fund of \$15,307,422 at June 30, 2008.

The District had outstanding early retirement payable from the Special Revenue, Management Fund of \$1,051,557 at June 30, 2008.

The District had outstanding termination benefits payable from the General Fund of \$25,145 at June 30, 2008.

The District had outstanding compensated absences payable from the General Fund of \$456,869 at June 30, 2008.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation bonds	\$ 3,860,000	6,290,000	-38.63%
Revenue bonds	15,307,422	17,916,450	-14.56%
Capital loan notes	0	420,000	-100.00%
Early retirement	1,051,557	1,214,908	-13.45%
Termination benefit	25,145	30,348	-17.14%
Compensated absences	456,869	308,412	48.14%
Totals	\$ 20,700,993	26,180,118	-20.93%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could affect its financial health in the future:

- The District has experienced declining enrollment in nine of the past ten years. The enrollment increased 30.7 students in 2008. Despite growth in the city of Ames, there is little residential growth within the school district's boundaries.
- The state's economy is showing limited signs of economic recovery. A weaker economy adversely impacts the amount of new general fund money available to the District.
- The District is currently negotiating with the teachers for the FY 2009 school year and just completed negotiations with PPME for the 2009 school year. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance. Corresponding cost reductions may be necessary to offset the cost of negotiated settlements and other cost increases.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Karen Shimp, District Secretary/Treasurer and Chief Financial Officer, Ames Community School District, 415 Stanton Avenue, Ames, Iowa, 50014-7331.

BASIC FINANCIAL STATEMENTS

AMES COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 18,599,001	(116,426)	18,482,575
Receivables:			
Property tax:			
Delinquent	176,362	0	176,362
Succeeding year	25,424,430	0	25,424,430
Income surtax	1,785,604	0	1,785,604
Interfund	754,385	(754,385)	0
Accounts	308,393	9,844	318,237
Due from other governments	2,099,394	354	2,099,748
Prepaid items	16,603	0	16,603
Inventories	58,543	21,479	80,022
Capital assets, net of accumulated depreciation (Note 5)	54,597,443	676,144	55,273,587
TOTAL ASSETS	103,820,158	(162,990)	103,657,168
LIABILITIES			
Accounts payable	935,842	164	936,006
Salaries and benefits payable	4,679,264	2,883	4,682,147
Incurred but not reported claims	704,841	0	704,841
Interest payable	84,035	0	84,035
Deferred revenue:			
Succeeding year property tax	25,424,430	0	25,424,430
Other	15,172	0	15,172
Unearned revenue	208,263	15,496	223,759
Lawsuit settlement payable (Note 16)	100,643	0	100,643
Long-term liabilities (Note 6):			
Portion due within one year:			
General obligation bonds payable	395,000	0	395,000
Revenue bonds payable	2,732,968	0	2,732,968
Early retirement payable	375,901	0	375,901
Termination benefit payable	5,202	0	5,202
Compensated absences payable	456,869	0	456,869
Portion due after one year:			
General obligation bonds payable	3,465,000	0	3,465,000
Revenue bonds payable	12,574,454	0	12,574,454
Early retirement payable	675,656	0	675,656
Termination benefit payable	19,943	0	19,943
TOTAL LIABILITIES	52,853,483	18,543	52,872,026
NET ASSETS			
Invested in capital assets, net of related debt	35,430,021	676,144	36,106,165
Restricted for:			
Debt service	1,691,252	0	1,691,252
Talented and gifted	65,884	0	65,884
Beginning teacher mentoring program	7,346	0	7,346
Salary improvement program	3,226	0	3,226
Market factor	30,437	0	30,437
Early intervention	1,997	0	1,997
Non-public transportation	13,468	0	13,468
Decategorization	2,309	0	2,309
Early success	6,685	0	6,685
Moving forward	6,708	0	6,708
Vocational aid	2,012	0	2,012
Success four	31,831	0	31,831
Professional development	40,196	0	40,196
Market factor incentives	30,601	0	30,601
Management levy	2,304,675	0	2,304,675
Capital projects	344,300	0	344,300
Physical plant and equipment levy	154,742	0	154,742
Other special revenue purposes	352,359	0	352,359
Unrestricted	10,446,626	(857,677)	9,588,949
TOTAL NET ASSETS	\$ 50,966,675	(181,533)	50,785,142

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular instruction	\$ 19,554,492	1,788,669	3,641,462	(14,124,361)	0	(14,124,361)
Special instruction	7,964,696	1,573,514	220,051	(6,171,131)	0	(6,171,131)
Other instruction	4,796,602	1,047,190	13,035	(3,736,377)	0	(3,736,377)
	<u>32,315,790</u>	<u>4,409,373</u>	<u>3,874,548</u>	<u>(24,031,869)</u>	<u>0</u>	<u>(24,031,869)</u>
Support services:						
Student services	901,738	0	0	(901,738)	0	(901,738)
Instructional staff services	784,222	0	0	(784,222)	0	(784,222)
Administration services	5,504,717	0	0	(5,504,717)	0	(5,504,717)
Operation and maintenance of plant services	5,540,879	0	0	(5,540,879)	0	(5,540,879)
Transportation services	1,472,322	181,018	29,614	(1,261,690)	0	(1,261,690)
	<u>14,203,878</u>	<u>181,018</u>	<u>29,614</u>	<u>(13,993,246)</u>	<u>0</u>	<u>(13,993,246)</u>
Other expenditures:						
Long-term debt interest	1,107,106	0	0	(1,107,106)	0	(1,107,106)
AEA flowthrough	1,382,303	0	1,382,303	0	0	0
Depreciation(unallocated) *	1,493,503	0	0	(1,493,503)	0	(1,493,503)
	<u>3,982,912</u>	<u>0</u>	<u>1,382,303</u>	<u>(2,600,609)</u>	<u>0</u>	<u>(2,600,609)</u>
Total governmental activities	50,502,580	4,590,391	5,286,465	(40,625,724)	0	(40,625,724)
Business-Type activities:						
Support services						
Administration services	6,311	0	0	0	(6,311)	(6,311)
Operation and maintenance of plant services	14,283	0	0	0	(14,283)	(14,283)
	<u>20,594</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(20,594)</u>	<u>(20,594)</u>
Non-instructional programs:						
Nutrition services	1,517,035	878,975	559,286	0	(78,774)	(78,774)
Total business-type activities	1,537,629	878,975	559,286	0	(99,368)	(99,368)
Total	<u>\$ 52,040,209</u>	<u>5,469,366</u>	<u>5,845,751</u>	<u>(40,625,724)</u>	<u>(99,368)</u>	<u>(40,725,092)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 18,744,365	0	18,744,365
Debt service				2,729,136	0	2,729,136
Capital outlay				3,090,647	0	3,090,647
Income surtax				2,092,101	0	2,092,101
Local option sales and services tax				4,170,477	0	4,170,477
Unrestricted state grants				12,480,423	0	12,480,423
Unrestricted investment earnings				654,869	3,869	658,738
Other				485,339	0	485,339
Total general revenues				<u>44,447,357</u>	<u>3,869</u>	<u>44,451,226</u>
Change in net assets before subsequent event				3,821,633	(95,499)	3,726,134
Subsequent event (Note 16):						
Lawsuit settlement claim				(100,643)	0	(100,643)
Changes in net assets				3,720,990	(95,499)	3,625,491
Net assets beginning of year				47,245,685	(86,034)	47,159,651
Net assets end of year				<u>\$ 50,966,675</u>	<u>(181,533)</u>	<u>50,785,142</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.
SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Manage- ment Levy	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
ASSETS						
Cash and pooled investments	\$ 7,771,025	3,372,138	(334,519)	1,673,229	949,427	13,431,300
Receivables:						
Property tax						
Delinquent	120,280	14,298	0	19,594	22,190	176,362
Succeeding year	18,120,727	2,000,000	0	2,192,623	3,111,080	25,424,430
Income surtax	1,785,604	0	0	0	0	1,785,604
Interfund	754,385	0	19	0	0	754,404
Accounts	284,749	4,871	0	0	18,773	308,393
Due from other governments	1,420,225	94	678,800	129	146	2,099,394
Inventories	16,603	0	0	0	0	16,603
Prepaid items	58,543	0	0	0	0	58,543
TOTAL ASSETS	\$ 30,332,141	5,391,401	344,300	3,885,575	4,101,616	44,055,033
LIABILITIES AND FUND BALANCES						
Liabilities:						
Interfund payable	\$ 19	0	0	0	0	19
Accounts payable	551,646	9,186	0	1,700	373,310	935,842
Salaries and benefits payable	4,678,426	838	0	0	0	4,679,264
Deferred revenue:						
Succeeding year property tax	18,120,727	2,000,000	0	2,192,623	3,111,080	25,424,430
Income surtax	1,785,604	0	0	0	0	1,785,604
Other	15,172	0	0	0	0	15,172
Unearned revenue	98,138	0	0	0	110,125	208,263
Total liabilities	25,249,732	2,010,024	0	2,194,323	3,594,515	33,048,594
Fund balances:						
Reserved for:						
Debt service	0	0	0	1,691,252	0	1,691,252
Inventories	16,603	0	0	0	0	16,603
Talented and gifted	65,884	0	0	0	0	65,884
Beginning teacher mentoring program	7,346	0	0	0	0	7,346
Salary improvement program	3,226	0	0	0	0	3,226
Market factor	30,437	0	0	0	0	30,437
Early intervention	1,997	0	0	0	0	1,997
Non-public transportation	13,468	0	0	0	0	13,468
Decategorization	2,309	0	0	0	0	2,309
Early success	6,685	0	0	0	0	6,685
Moving forward	6,708	0	0	0	0	6,708
Vocational aid	2,012	0	0	0	0	2,012
Success four	31,831	0	0	0	0	31,831
Professional development	40,196	0	0	0	0	40,196
Market factor incentives	30,601	0	0	0	0	30,601
Unreserved:						
Designated for special purposes	315,787	0	0	0	0	315,787
Designated for cash flow	3,000,000	0	0	0	0	3,000,000
Undesignated:						
General	1,507,319	0	0	0	0	1,507,319
Management levy	0	3,381,377	0	0	0	3,381,377
Capital projects	0	0	344,300	0	0	344,300
Physical plant and equipment levy	0	0	0	0	154,742	154,742
Other special revenue purposes	0	0	0	0	352,359	352,359
Total fund balances	5,082,409	3,381,377	344,300	1,691,252	507,101	11,006,439
TOTAL LIABILITIES AND FUND BALANCES	\$ 30,332,141	5,391,401	344,300	3,885,575	4,101,616	44,055,033

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2008

Total fund balances of governmental funds (page 16)	\$ 11,006,439
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	54,597,443
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	1,785,604
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	4,462,860
Lawsuit settlement payable is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(100,643)
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(84,035)
Long-term liabilities, including bonds payable, early retirement payable, termination benefit payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(20,700,993)
Net assets of governmental activities (page 14)	<u>\$ 50,966,675</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Manage- ment Levy	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
REVENUES:						
Local sources:						
Local tax	\$ 18,709,455	1,991,407	4,170,477	2,729,136	3,090,647	30,691,122
Tuition	3,238,431	0	0	0	0	3,238,431
Other	1,485,051	198,912	0	21,621	852,764	2,558,348
State sources	16,304,625	654	0	896	1,015	16,307,190
Federal sources	1,393,518	0	0	0	0	1,393,518
Total revenues	41,131,080	2,190,973	4,170,477	2,751,653	3,944,426	54,188,609
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	18,625,692	785,070	0	0	35	19,410,797
Special instruction	7,956,259	0	0	0	0	7,956,259
Other instruction	4,012,804	0	0	0	780,180	4,792,984
	30,594,755	785,070	0	0	780,215	32,160,040
Support services:						
Student services	939,490	0	0	0	0	939,490
Instructional staff services	784,867	0	0	0	0	784,867
Administration services	5,346,881	9,671	0	0	200	5,356,752
Operation and maintenance of plant services	3,391,360	420,400	0	0	43,556	3,855,316
Transportation services	1,473,055	0	0	0	0	1,473,055
	11,935,653	430,071	0	0	43,756	12,409,480
Other expenditures:						
Facilities acquisitions	0	0	54,228	0	3,188,480	3,242,708
Long-term debt:						
Principal	0	0	0	5,459,028	0	5,459,028
Interest and fiscal charges	0	0	0	1,113,059	0	1,113,059
AEA flowthrough	1,382,303	0	0	0	0	1,382,303
	1,382,303	0	54,228	6,572,087	3,188,480	11,197,098
Total expenditures	43,912,711	1,215,141	54,228	6,572,087	4,012,451	55,766,618
Excess(deficiency) of revenues over(under) expenditures	(2,781,631)	975,832	4,116,249	(3,820,434)	(68,025)	(1,578,009)
Other financing sources(uses):						
Transfer in	0	0	0	4,866,392	0	4,866,392
Transfer out	0	0	(4,426,232)	0	(440,160)	(4,866,392)
Total other financing sources(uses)	0	0	(4,426,232)	4,866,392	(440,160)	0
Net change in fund balances	(2,781,631)	975,832	(309,983)	1,045,958	(508,185)	(1,578,009)
Fund balance beginning of year	7,864,040	2,405,545	654,283	645,294	1,015,286	12,584,448
Fund balance end of year	\$ 5,082,409	3,381,377	344,300	1,691,252	507,101	11,006,439

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2008

Net change in fund balances - total governmental funds (page 18) \$ (1,578,009)

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceed depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 1,688,500	
Depreciation expense	(1,676,549)	
Loss on disposal of capital assets	<u>(32,000)</u>	(20,049)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	5,459,028
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	5,953
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Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.	135,604
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early Retirement	\$ 163,351	
Other Termination Benefit	5,203	
Compensated Absences	(148,457)	
Lawsuit Settlement Claim	<u>(100,643)</u>	(80,546)

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis.	<u>(200,991)</u>
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Changes in net assets of governmental activities (page 15)	<u>\$ 3,720,990</u>
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SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	Business- type Activities - Enterprise Fund School Nutrition	Governmental Activities - Internal Service Fund
ASSETS		
Cash and pooled investments	\$ 0	5,167,701
Receivables:		
Accounts	9,844	0
Due from other governments	354	0
Inventories	21,479	0
Capital assets, net of accumulated depreciation(Note 5)	676,144	0
TOTAL ASSETS	707,821	5,167,701
LIABILITIES		
Excess of warrants issued over bank balance	116,426	0
Interfund payable	754,385	0
Accounts payable	164	0
Salaries and benefits payable	2,883	0
Incurred but not reported claims	0	704,841
Unearned revenues	15,496	0
TOTAL LIABILITIES	889,354	704,841
NET ASSETS		
Invested in capital assets	676,144	0
Unrestricted:		
Undesignated	(857,677)	4,462,860
TOTAL NET ASSETS	\$ (181,533)	4,462,860

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008

	Business- type Activities - Enterprise Fund School Nutrition	Governmental Activities - Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 878,975	4,963,051
TOTAL OPERATING REVENUES	<u>878,975</u>	<u>4,963,051</u>
OPERATING EXPENSES:		
Support services:		
Administration services:		
Services	2,497	0
Other	3,814	0
Operation and maintenance of plant services:		
Services	14,283	0
	<u>20,594</u>	<u>0</u>
Non-instructional programs:		
Salaries	20,546	0
Benefits	11,769	5,149,736
Services	622,113	0
Supplies	776,537	14,306
Depreciation	86,070	0
	<u>1,517,035</u>	<u>5,164,042</u>
TOTAL OPERATING EXPENSES	<u>1,537,629</u>	<u>5,164,042</u>
OPERATING LOSS	<u>(658,654)</u>	<u>(200,991)</u>
NON-OPERATING REVENUES:		
State sources	13,939	0
Federal sources	545,347	0
Interest income	3,869	0
TOTAL NON-OPERATING REVENUES	<u>563,155</u>	<u>0</u>
Changes in net assets	(95,499)	(200,991)
Net assets beginning of year	<u>(86,034)</u>	<u>4,663,851</u>
Net assets end of year	<u>\$ (181,533)</u>	<u>4,462,860</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008

	Business- type Activities - Enterprise Fund School Nutrition	Governmental Activities - Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 861,793	0
Cash received from miscellaneous operating activities	27,386	4,963,051
Cash payments to employees for services	(31,913)	(5,062,727)
Cash payments to suppliers for goods or services	(1,378,606)	(14,406)
Net cash used in operating activities	(521,340)	(114,082)
Cash flows from non-capital financing activities:		
Loan from General Fund	173,047	0
State grants received	13,939	0
Federal grants received	475,370	0
Net cash provided by non-capital financing activities	662,356	0
Cash flows from investing activities:		
Interest on investments	3,869	0
Net cash provided by investing activities	3,869	0
Net increase(decrease) in cash and cash equivalents	144,885	(114,082)
Cash and cash equivalents at beginning of year	(261,311)	5,281,783
Cash and cash equivalents at end of year	\$ (116,426)	5,167,701
Reconciliation of operating loss to net cash provided by(used in) operating activities:		
Operating loss	\$ (658,654)	(200,991)
Adjustments to reconcile operating loss to net cash provided by(used in) operating activities:		
Commodities consumed	69,623	0
Depreciation	86,070	0
Increase in inventories	(4,112)	0
Decrease in accounts receivable	8,673	0
Decrease in accounts payable	(24,873)	(100)
Increase in salaries and benefits payable	402	0
Increase in incurred but not reported claims	0	87,009
Increase in unearned revenue	1,531	0
Net cash provided by operating activities	\$ (521,340)	(114,082)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	\$ (116,426)	5,167,701

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$69,623.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2008

	<u>Agency</u>
ASSETS	
Cash and pooled investments	\$ 64,112
Due from other governments	283,702
Due from other groups	24,980
TOTAL ASSETS	<u>\$ 372,794</u>
LIABILITIES	
Excess of warrants issued over bank balance	\$ 74,500
Accounts payable	262,547
Due to other groups	35,747
TOTAL LIABILITIES	<u>\$ 372,794</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

(1) Summary of Significant Accounting Policies

The Ames Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served primarily includes the City of Ames, Iowa. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Ames Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Ames Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Story County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference

reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Management Levy Fund is used to account for resources used in the purchase of property insurance and payments for early retirement incentives.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's long-term debt.

The District reports the following proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service Fund, Health Insurance Fund. The Nutrition Fund is used to account for the food service operations of the District. The Health Insurance Fund is used to account for the self-funded health insurance operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets help by the District as an agent for individuals, private organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the

District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust and IPASeducation which are valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following

fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Interfund Receivables and Payables - During the course of its operations, the District has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2008 balances of interfund accounts receivable or payable have been recorded.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Prepaid Items - The District prepaid items from the General Fund. Items prepaid include software and water utility charges for the 2008-09 year.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for student fees and lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the balance sheet in the Enterprise, School Nutrition Fund. The student fees are fees for the next year. The student fee balances are reflected on the balance sheet in the General Fund and Special Revenue Fund, Student Activity Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures in the instruction function exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 83,720</u>

At June 30, 2008, the District had investments in the IPASeducation as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 7,549,911</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The District's investment policy limits the investment of operating funds(funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service. The

investments in the IPASeducation are registered and not subject to rating.

(3) Transfers

The detail of transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Special Revenues - Physical Plant and Equipment Levy	\$ 440,160
Debt Service	Capital Projects	<u>4,426,232</u>
Total		<u>\$ 4,866,392</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2008 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Enterprise, School Nutrition	\$ 754,385
Capital Projects	General	<u>19</u>
Total		<u>\$ 754,404</u>

The General Fund is repaying the Capital Projects fund for supplies. The balance will be repaid by June 30, 2009.

The Enterprise, School Nutrition Fund is repaying the General fund for salaries and benefits. The balance will be repaid by June 30, 2009.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,981,652	0	0	4,981,652
Construction in progress	756,286	612,415	654,871	713,830
Total capital assets not being depreciated	5,737,938	612,415	654,871	5,695,482
Capital assets being depreciated:				
Buildings	58,640,914	734,477	0	59,375,391
Land improvements	7,361,696	380,854	0	7,742,550
Machinery and equipment	2,936,741	615,625	81,000	3,471,366
Total capital assets being depreciated	68,939,351	1,730,956	81,000	70,589,307
Less accumulated depreciation for:				
Buildings	16,750,883	1,154,511	0	17,905,394
Land improvements	1,847,421	338,992	0	2,186,413
Machinery and equipment	1,461,493	183,046	49,000	1,595,539
Total accumulated depreciation	20,059,797	1,676,549	49,000	21,687,346
Total capital assets being depreciated, net	48,879,554	54,407	32,000	48,901,961
Governmental activities capital assets, net	\$ 54,617,492	666,822	686,871	54,597,443
Business-type activities:				
Machinery and equipment	\$ 1,139,359	0	0	1,139,359
Less accumulated depreciation	377,145	86,070	0	463,215
Business-type activities capital assets, net	\$ 762,214	(86,070)	0	676,144

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 93,294
Support services:	
Administration	9,610
Operation and maintenance	26,332
Transportation	53,810
	183,046
Unallocated depreciation	1,493,503
Total governmental activities depreciation expense	\$ 1,676,549
Business-type activities:	
Food services	\$ 86,070

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 6,290,000	0	2,430,000	3,860,000	395,000
Revenue Bonds	17,916,450	0	2,609,028	15,307,422	2,732,968
Capital Loan Notes	420,000	0	420,000	0	0
Early Retirement	1,214,908	478,560	641,911	1,051,557	375,901
Other Termination Benefit	30,348	0	5,203	25,145	5,202
Compensated Absences	308,412	456,869	308,412	456,869	456,869
Total	\$ 26,180,118	935,429	6,414,554	20,700,993	3,965,940

General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of March 1, 2004			
	Interest Rates	Principal	Interest	Total
2009	3.50 %	\$ 395,000	296,623	691,623
2010	3.50	415,000	282,797	697,797
2011	3.50	430,000	268,272	698,272
2012	3.05	450,000	253,223	703,223
2013	3.25	465,000	239,498	704,498
2014-2017	3.45-3.75	1,705,000	630,160	2,335,160
Total		\$ 3,860,000	1,970,573	5,830,573

Revenue Bonds Payable

Details of the District's June 30, 2008 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	2006 Series A		2006 Series B		Total		
		Principal	Interest	Principal	Interest	Principal	Interest	Total
2009	4.65 %	\$ 1,366,484	327,018	1,366,484	327,018	2,732,968	654,036	3,387,004
2010	4.65	1,431,397	262,105	1,431,397	262,105	2,862,794	524,210	3,387,004
2011	4.65	1,499,395	194,108	1,499,395	194,108	2,998,790	388,216	3,387,006
2012	4.65	1,570,622	122,881	1,570,622	122,881	3,141,244	245,762	3,387,006
2013	4.65	1,645,232	48,270	1,645,232	48,270	3,290,464	96,540	3,387,004
2014	4.65	140,581	545	140,581	545	281,162	1,090	282,252
Total		\$ 7,653,711	954,927	7,653,711	954,927	15,307,422	1,909,854	17,217,276

The District has pledged future local option sales and services tax revenues to repay the \$20,000,000 bonds issued in March 2006. The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure and are payable through 2014. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are

not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require a high percentage of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$15,307,422. For the current year, \$2,609,028 in principal and \$777,976 in interest was paid on the bonds and total local option sales and services tax revenues were \$4,170,477.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- b) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- c) In each month commencing October 1, 2007 receipts of the local option sales and services tax after deposits to the Sinking Fund shall be deposited in the Reserve Fund until there is on deposit in the Reserve Fund the amount of \$1,000,000.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

(7) Termination Benefits

Early Retirement

The District offers a voluntary early retirement plan to its certified and support staff employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education.

Early retirement incentive for each eligible employee approved by the Board will be based on the number of days of accumulated sick leave (maximum of 165 days) times 15% of the employee's per diem salary. For this purpose, per diem salary is defined as base salary plus longevity pay. The employee will receive an additional \$15 for each day of accumulated sick leave (maximum of 165 days).

The District shall contribute the lump sum amount of the employee's retirement compensation directly in an account for the employee under the District's Employer Sponsored 403(b) Special Pay Deferral Plan, as a non-elective employer contribution, within 60 days of the employee's retirement effective date; provided, however, that the amount of such contribution shall not exceed the application limitations under section 403(b) and other applicable provisions of the Internal Revenue Code of 1986, as amended.

As part of the early retirement incentive, the District will pay a fixed dollar amount per month for single medical insurance

coverage until the retiree reaches age 65. The dollar amount (currently \$411.86) will be the single premium for plan 4 (\$1,000 deductible). The rate in effect at the retirement effective date will be the rate provided by the District. The District's contribution toward medical insurance will not increase after established at the retirement effective date.

Early retirement benefits paid during the year ended June 30, 2008, totaled \$641,911. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

Other Termination Benefit

The District offered a special termination benefit for an employee that resigned during the year. The District agreed to pay a fixed amount per month for single medical insurance coverage until the employee reaches age 65. Health and dental insurance will be paid until April 2013 at the rate of \$433.54. The District also agreed to pay life insurance for one year at the rate of \$65.

A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(8) Bond Defeasement

On June 1, 2007, the District advance refunded \$2,000,000 of outstanding general obligation bonds. The proceeds of the refunding issued have been placed in an irrevocable escrow account. The District remains contingently liable in the remote possibility the account is insufficient to pay the refunded bonds. The bonds are callable on June 1, 2011. At June 30, 2008, \$2,000,000 of such bonds are outstanding. Repayment of principal and interest for the year was \$0 and \$0.

On June 1, 2008, the District advance refunded \$2,050,000 of outstanding general obligation bonds. The proceeds of the refunding issued have been placed in an irrevocable escrow account. The District remains contingently liable in the remote possibility the account is insufficient to pay the refunded bonds. The bonds are callable on June 1, 2011. At June 30, 2008, \$2,050,000 of such bonds are outstanding. Repayment of principal and interest for the year was \$0 and \$0. The net present value savings to the District for the advance refunding was \$58,632.

(9) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual

covered payroll for the year ended June 30, 2008. Plan members were required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$1,457,287, \$1,458,879 and \$1,371,122 respectively, equal to the required contributions for each year.

(10) Risk Management

The District has a self-funded health and dental insurance plan. The District purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess \$75,000 in insured claims for any one covered individual. Settled aggregate stop-loss claims have not exceeded the commercial coverage in any of the past two years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That balance was \$4,962,265 at April 30, 2008, the last date for which information is available. The incurred but not recorded and unpaid claims liability of \$704,841 reported in the plan at April 30, 2008, is based on the requirements of GASB Statement Number 10, is included as a liability on the Statement of Net Assets.

In addition, the District is exposed to various risks to loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past four fiscal years.

(11) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$1,382,303 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Construction Commitment

The District has entered into contracts for a variety of projects including: a High School HVAC controls project, a sprinkler line system at the High School, a gas line replacement project at the High School, High School boiler replacement, High School fire alarm system, and a new doors project. As of June 30, 2008, costs of \$713,830 had been incurred against the contracts. The balance remaining on these contracts at June 30, 2008 will be paid as work on the project progresses and will be capitalized upon completion.

(13) Deficit Net Assets

The Enterprise Fund, Nutrition Fund had deficit unrestricted, undesignated net assets of \$857,677 at June 30, 2008.

(14) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2008, expenditures in the instruction function exceeded the amount budgeted.

(15) Contingencies

As of June 30, 2008, the District is involved in various claims and lawsuits against the District that arise in the normal course of operations, which are covered by insurance. The outcome and eventual liability of the District, if any, from these claims and any unasserted claims is not known at this time; however, management does not believe they will be material to the basic financial statements.

(16) Subsequent Event - Settlement Payable

The District was involved in a lawsuit against the District that arose from capital construction projects, which was settled out of court. The liability of the District from this settlement was \$100,642.78. This lawsuit settlement is shown as a liability on Exhibit A.

REQUIRED SUPPLEMENTARY INFORMATION

AMES COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Fund Types	Fund Type		Original	Final	
	Actual	Actual	Actual			
Revenues:						
Local sources	\$ 36,487,901	882,844	37,370,745	38,750,915	38,750,915	(1,380,170)
State sources	16,307,190	13,939	16,321,129	16,810,158	16,810,158	(489,029)
Federal sources	1,393,518	545,347	1,938,865	1,470,500	1,470,500	468,365
Total revenues	54,188,609	1,442,130	55,630,739	57,031,573	57,031,573	(1,400,834)
Expenditures:						
Instruction	32,160,040	0	32,160,040	31,421,761	31,421,761	(738,279)
Support services	12,409,480	20,594	12,430,074	12,832,560	12,832,560	402,486
Non-instructional programs	0	1,517,035	1,517,035	1,300,000	1,600,000	82,965
Other expenditures	11,197,098	0	11,197,098	11,001,017	11,900,000	702,902
Total expenditures	55,766,618	1,537,629	57,304,247	56,555,338	57,754,321	450,074
Excess(deficiency) of revenues over(under) expenditures	(1,578,009)	(95,499)	(1,673,508)	476,235	(722,748)	(950,760)
Balance beginning of year	12,584,448	(86,034)	12,498,414	12,534,302	12,534,302	35,888
Balance end of year	\$ 11,006,439	(181,533)	10,824,906	13,010,537	11,811,554	(914,872)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one amendment increasing budgeted expenditures by \$1,198,983.

During the year ended June 30, 2008, expenditures in the instruction function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

AMES COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2008

	Nonmajor Special Revenue Funds		
	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds
ASSETS			
Cash and pooled investments	\$ 489,341	460,086	949,427
Receivables:			
Property tax:			
Current year delinquent	0	22,190	22,190
Succeeding year	0	3,111,080	3,111,080
Accounts	2,108	16,665	18,773
Due from other governments	0	146	146
TOTAL ASSETS	\$ 491,449	3,610,167	4,101,616
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 28,965	344,345	373,310
Deferred revenue:			
Succeeding year property tax	0	3,111,080	3,111,080
Unearned revenue	110,125	0	110,125
	139,090	3,455,425	3,594,515
Fund balances:			
Unreserved, undesignated	352,359	154,742	507,101
	352,359	154,742	507,101
TOTAL LIABILITIES AND FUND BALANCES	\$ 491,449	3,610,167	4,101,616

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2008

	Nonmajor Special Revenue Funds		
	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds
REVENUES:			
Local sources:			
Local tax	\$ 0	3,090,647	3,090,647
Other	818,821	33,943	852,764
State sources	0	1,015	1,015
TOTAL REVENUES	818,821	3,125,605	3,944,426
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	35	0	35
Other instruction	780,180	0	780,180
Support services:			
Administration services	0	200	200
Transportation services	43,556	0	43,556
Other expenditures:			
Facilities acquisition	0	3,188,480	3,188,480
TOTAL EXPENDITURES	823,771	3,188,680	4,012,451
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(4,950)	(63,075)	(68,025)
OTHER FINANCING USES:			
Transfers out	0	(440,160)	(440,160)
TOTAL OTHER FINANCING USES	0	(440,160)	(440,160)
Net change in fund balances	(4,950)	(503,235)	(508,185)
FUND BALANCE BEGINNING OF YEAR	357,309	657,977	1,015,286
FUND BALANCE END OF YEAR	\$ 352,359	154,742	507,101

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
District-wide	\$ 1,458	0	36	1,422
Edwards	88	1,560	1,500	148
Fellows	1,157	1,312	1,289	1,180
Meeker	2,826	2,432	3,050	2,208
Mitchell	1,244	1,233	1,303	1,174
Sawyer	3,210	7,627	7,457	3,380
Wilson-Beardshear	2,509	621	677	2,453
Middle School	170,355	189,705	185,849	174,211
High School	174,462	614,331	622,610	166,183
Total	<u>\$ 357,309</u>	<u>818,821</u>	<u>823,771</u>	<u>352,359</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2008

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>AMES EDUCATION FOUNDATION</u>				
<u>ASSETS</u>				
Due from other governments	\$ 76,830	74,500	76,830	74,500
Due from other groups	40	54	40	54
	<u>\$ 76,870</u>	<u>74,554</u>	<u>76,870</u>	<u>74,554</u>
<u>LIABILITIES</u>				
Excess of warrants issued over bank balance	\$ 76,830	74,500	76,830	74,500
Accounts payable	40	54	40	54
	<u>\$ 76,870</u>	<u>74,554</u>	<u>76,870</u>	<u>74,554</u>
<u>VOCATIONAL CONSORTIUM</u>				
Cash and pooled investments	\$ 0	48,569	0	48,569
Due from other governments	16,778	209,202	16,778	209,202
Due from other groups	118,554	24,015	118,554	24,015
	<u>\$ 135,332</u>	<u>281,786</u>	<u>135,332</u>	<u>281,786</u>
<u>LIABILITIES</u>				
Excess of warrants issued over bank balance	\$ 135,332	0	135,332	0
Accounts payable	0	261,500	0	261,500
Due to other groups	0	20,286	0	20,286
	<u>\$ 135,332</u>	<u>281,786</u>	<u>135,332</u>	<u>281,786</u>
<u>HS/MS/ELEMENTARY AGENCY</u>				
<u>ASSETS</u>				
Cash and pooled investments	\$ 0	15,543	0	15,543
Due from other groups	5,354	911	5,354	911
	<u>\$ 5,354</u>	<u>16,454</u>	<u>5,354</u>	<u>16,454</u>
<u>LIABILITIES</u>				
Excess of warrants issued over bank balance	\$ 5,042	0	5,042	0
Accounts payable	312	993	312	993
Due to other groups	0	15,541	80	15,461
	<u>\$ 5,354</u>	<u>16,534</u>	<u>5,434</u>	<u>16,454</u>
<u>TOTALS - ALL AGENCY FUNDS</u>				
<u>ASSETS</u>				
Cash and pooled investments	\$ 0	64,112	0	64,112
Due from other governments	93,608	283,702	93,608	283,702
Due from other groups	123,948	24,980	123,948	24,980
	<u>\$ 217,556</u>	<u>372,794</u>	<u>217,556</u>	<u>372,794</u>
<u>LIABILITIES</u>				
Excess of warrants issued over bank balance	\$ 217,204	74,500	217,204	74,500
Accounts payable	352	262,547	352	262,547
Due to other groups	0	35,827	80	35,747
	<u>\$ 217,556</u>	<u>372,874</u>	<u>217,636</u>	<u>372,794</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST NINE YEARS

	Modified Accrual Basis								
	Years Ended June 30,								
	2008	2007	2006	2005	2004	2003	2002	2001	2000
Revenues:									
Local sources:									
Local tax	\$ 30,691,122	31,123,168	29,817,748	29,875,333	28,146,387	24,485,168	21,956,153	20,912,758	19,411,030
Tuition	3,238,431	3,432,356	2,881,124	2,674,002	2,084,827	1,888,407	1,957,873	2,024,685	1,876,859
Other	2,558,348	2,720,224	2,648,452	1,830,736	1,540,697	1,667,320	2,003,493	2,327,363	2,148,534
Intermediate sources	0	38,904	0	0	0	0	0	0	0
State sources	16,307,190	14,731,416	14,017,998	14,134,624	13,937,110	14,218,846	15,067,261	15,790,359	15,331,037
Federal sources	1,393,518	1,101,449	1,182,298	1,455,320	966,725	963,395	1,144,545	847,647	691,222
Total	\$ 54,188,609	53,147,517	50,547,620	49,970,015	46,675,746	43,223,136	42,129,325	41,902,812	39,458,682
Expenditures:									
Instruction:									
Regular instruction	\$ 19,410,797	17,926,058	16,760,663	17,174,548	17,607,918	17,352,060	17,575,379	16,805,036	16,649,366
Special instruction	7,956,259	7,275,595	6,915,251	6,378,855	7,348,660	6,676,468	6,145,957	5,911,673	5,651,448
Other instruction	4,792,984	4,539,801	4,528,819	3,909,347	2,234,282	2,407,881	2,875,534	3,057,757	2,587,289
Support services:									
Student services	939,490	824,229	745,104	797,409	1,745,654	1,603,668	1,951,005	1,876,573	1,913,500
Instructional staff services	784,867	812,896	781,440	1,365,352	1,398,942	1,449,101	1,706,715	1,263,996	1,427,024
Administration services	5,356,752	4,814,437	5,552,988	3,647,865	2,486,807	2,402,344	2,493,396	2,377,041	2,776,160
Operation and maintenance of plant services	3,855,316	3,791,228	3,569,330	3,258,440	3,113,517	2,988,780	2,787,963	5,671,413	2,781,070
Transportation services	1,473,055	1,387,985	1,387,587	1,170,207	795,050	739,955	772,605	717,582	790,046
Central support services	0	0	0	0	289,631	264,321	316,337	799,853	135,534
Non-instructional programs	0	0	0	0	2,400	24,839	25,887	0	7,844
Other expenditures:									
Facilities acquisitions	3,242,708	2,975,650	13,249,013	25,733,717	9,000,261	2,469,179	2,009,980	1,896,486	2,196,213
Long-term debt:									
Principal	5,459,028	5,028,550	905,000	865,000	1,170,000	1,700,000	1,750,000	1,835,000	1,521,791
Interest and other charges	1,113,059	1,265,962	550,218	512,918	222,796	154,894	282,740	321,543	290,245
AEA flow-through	1,382,303	1,296,411	1,221,693	1,217,993	1,235,782	1,315,387	1,318,239	1,355,796	1,309,025
Total	\$ 55,766,618	51,938,802	56,167,106	66,031,651	48,651,700	41,548,877	42,011,737	43,889,749	40,036,555

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 08	\$ 84,561
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 08	460,432 *
			<u>544,993</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCA- TIONAL AGENCIES	84.010	0225-G	482,546
TITLE I GRANTS TO LOCAL EDUCA- TIONAL AGENCIES	84.010	0225-GC	6,745
TITLE I GRANTS TO LOCAL EDUCA- TIONAL AGENCIES	84.010	0225-D	43,315
			<u>532,606</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 07	12,923
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 08	45,559
			<u>58,482</u>
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM)	84.151	FY 08	<u>5,479</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 07	6,000
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 08	15,851
			<u>21,851</u>
EDUCATION FOR HOMELESS CHILDREN AND YOUTH	84.196	FY 08	<u>24,500</u>
TITLE III - ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	FY 08	<u>43,072</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 07	30,016
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 08	124,741
			<u>154,757</u>

AMES COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2008

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT (CONTINUED) :			
DEPARTMENT OF EDUCATION (CONTINUED) :			
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI A)	84.369	FY 08	<u>30,240</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 08	<u>220,051</u>
TOTAL			<u>\$ 1,636,031</u>

* Includes \$69,623 of non-cash awards.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Ames Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
Ames Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Ames Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 11, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ames Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Ames Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Ames Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Ames Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Ames Community School District's financial statements that is more than inconsequential will not be prevented or detected by Ames Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ames Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Ames Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Ames Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Ames Community School District and other parties to whom Ames Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Ames Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

February 11, 2009

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3050
Telephone (641) 792-1910

Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of
Ames Community School District

Compliance

We have audited the compliance of Ames Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Ames Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Ames Community School District's management. Our responsibility is to express an opinion on Ames Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ames Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Ames Community School District's compliance with those requirements.

In our opinion, Ames Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Ames Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Ames Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ames Community School District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be a material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Ames Community School District and other parties to whom Ames Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

February 11, 2009

AMES COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
 - Clustered Programs:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Ames Community School District qualified as a low-risk auditee.

AMES COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

II-A-08 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended from. A more specific example of these instances is as follows:

Within the Student Activity Fund there were science class instructional supplies purchased from the Middle School Student Council account. It appears that these purchases are instructional in nature and should be handled in the General Fund.

Life touch picture commissions were noted in the Middle School Student Body account. These commissions should be run through the General Fund.

Field trips and donations associated with field trips should be run through the General Fund. The field trip accounts do not appear to be related to a specific club or student run organization.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended.

Response - The District has taken steps to reclassify a number of expenditures from the Student Activity Fund to the General Fund. The District will continue to review the propriety of receipts and expenditures that are recorded in our Student Activity Fund and transfer any funds that need to be to the proper fund where they can be recorded.

Conclusion - Response accepted.

II-B-08 Perkins Grant - We noted during our audit that when expenditures for specific projects were posted, it appeared that the expenses were not always properly posted to those projects for the Perkins Grant.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - The District will conduct training with staff responsible for processing expenditures related to grant programs to assure proper coding of expenditures for accounting purposes. Compliance with proper accounting will be more closely monitored by the District on a regular basis, and any issues will be promptly addressed.

Conclusion - Response accepted.

II-C-08 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

Recommendation - Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1st. The District should submit the outstanding checks to the State Treasurer as unclaimed property.

Response - The District will review outstanding checks on a monthly basis, and remit those checks over one year old to the Iowa State Treasurer.

Conclusion - Response accepted.

II-D-08 Timely Deposits and Detailed Deposit Slips - We noted during our audit that deposits for the Enterprise Fund, School Nutrition Fund were prepared but may not be taken to the bank for deposit until several days later. In addition, the amounts collected for deposit were not posted to the student account balance tracking system in a timely manner. We also noted during our audit that there were no details listed on the deposit slips for the Enterprise Fund, School Nutrition Fund.

It was also noted that sponsors are collecting monies for the Student Activity Fund and turning all the money in at once and not as the students turn the money in. The sponsors are not giving receipts to the students for monies they collect.

Recommendation - All receipts should be deposited when received. The District should review procedures to ensure that the deposits are made timely. Sponsors should be giving receipts to students for the monies collected. The Sponsors should be turning in the receipts and money for deposit in a timely manner. The Sponsors should turn monies collected into the office for timely deposit.

Response - The District has conducted training with all building administrators and secretaries on the timely deposit of funds. We will continue this training on a more frequent basis and conduct periodic review of deposits for timeliness to assure proper receipting and compliance with requirements for handling public funds.

Conclusion - Response accepted.

AMES COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

AMES COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-08 Certified Budget - Expenditures for the year ended June 30, 2008 exceeded the amended certified budget amounts in the instruction function.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - The District has revised the certified budget process to certify maximum spending authority in the instructional program. The District will revise procedures for estimating final expenditures for the year and amend the budget to allow for sufficient spending authority to cover these expenditures.

Conclusion - Response accepted.

IV-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-08 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Cris Berger, Activities Accountant Spouse of owner of Benchmark USA	Popcorn	\$187

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the spouse of the District's employee do not appear to represent a conflict of interest.

IV-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - The District will strive to meet timely publication requirements for the Board minutes and will retain proper documentation from our publication of record supporting the date minutes were submitted.

Conclusion - Response accepted.

IV-G-08 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

IV-J-08 Financial Condition - The Enterprise Fund - Nutrition Fund had deficit unrestricted, undesignated net assets of \$857,677 at June 30, 2008.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit. The District may want to do a five-year workout plan for the Enterprise Fund - Nutrition Fund to improve the balance to a solvent position.

Response - We will continue to take steps to improve the financial condition of the Enterprise Fund - Nutrition Fund.

Conclusion - Response accepted.